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Marco Albertini, Households and inequality. The effect of changing household characteristics on income inequality in Italy. Saarbrucken: Verlag Dr. Muller, 2008, 164 pp.

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In the last thirty years Western societies have witnessed remarkable changes in their socio-economic characteristics. In his book Marco Albertini starts from this scenario highlighting in the introduction the changing area his research is focused on, i.e. the changes in population composition in terms of "household forms," as well as the relation between these changes and those in the structure of social inequalities. In fact, contemporary societies have changed not only in the characteristics of their economic structure, which have led many scholars to talk about post-industrial, post-Fordist, post-modern societies. Together with changes in business organization, in the welfare state and in the occupational structure, there have been significant variations in the family model named "male breadwinner bourgeoisie," which is typical of "mid-century compromise societies" [p. 3].

The differences between mid-century compromise societies and contemporary societies can be observed in the different regulating/redistributive role of social institutions – in Polanyi's triad: market, state, community and therefore also family – and in social inequality levels and trends. In this regard, Albertini discusses the "equality of what?" question in the second chapter. He explains his interest in inequalities in terms of "output," including income. Income is a good indicator of wealth in a given moment. More precisely, the author uses the equivalent individual income, that is the income available net of the financial capital. Moreover, data on annual income are quite common and can be interpreted more easily than other variables which are normally used in the study of inequalities, i.e. consumption levels. Income is the result of individual choices and opportunities, but also of the market action and of the support (and sometimes the regulation/redistribution) of family and state. The role of the family is particularly important in the Mediterranean European countries which are defined as "familist welfare states" due to the strong subsidiary role of family in respect of government welfare policies. Given these forewords, Albertini's choice to explore the Italian case seems particularly centred, even though the paper also contains some analyses on European data.

At the end of the Twentieth century income inequalities increased in many Western societies. The author points out that the most common explanations given by economic sociology scholars mainly refer to: *a*) market factors – decrease in the trade union bargaining power with significant consequences in the level of income redistribution from capital to labour, an increasing integration of financial markets which has caused an increase in the need to attract foreign investments and a consequent difficulty in carrying out strong redistributive policies (i.e. capital taxation), the best economic performances of liberal economies – also characterized by relatively low levels of social equality – have actually fed the debate on the incompatibility between equality and economic efficiency; *b*) fiscal and economic crisis of the welfare state. The maintenance of services and transfers supporting population has become too costly. This is due also to the increase in people who depend on the welfare – i.e. the elderly and the unemployed – and to the difficulty in increasing general taxation. This has caused an overall reduction in state redistributive policies. Albertini observes the change in the family redistributive role to understand income inequality levels and trends. In this way, he adds an explicative element which is often underestimated in literature.

In the third chapter of his book the author makes a list of the studies which have tried to identify the main factors that can affect income inequalities. The role of the family has not been totally excluded by these studies, but some of them have not recognized the changes that have modified (and are still modifying) family forms. On the one hand, many studies have mainly concentrated on the family male head. In this way, they have paid little attention to changes related to income receivers within families. On the other hand, these studies – especially Italian ones – have explored the family from the point of view of demographic features of its components (age, gender), but they have not considered household forms. In the third chapter Albertini also includes a detailed definition of "household forms," which are characterized by different combinations of number of members, members' demographic and economic features, relations existing among members. In doing this, Albertini uses classic theories of the sociology of the family – i.e. Peter Laslett – and highlights that often there is terminological confusion when "household" is considered a perfect synonym for "family." Laslett uses three criteria to identify the household – living under the same roof (location criterion), sharing a certain number of activities (functional criterion), being connected by blood relationship or marriage (kinship criterion). The concept of "household" satisfies the first two criteria. In surveys collecting data about individuals' economic statuses, the concept of "household" generally represents the survey aggregate, while single individuals are the units of analysis. Location and functional criteria are significant and kinship relations may exist or not in this unit. Kinship relations existing outside the household are not taken into consideration. For example, a person living alone represents a household and may have children who live in other households. In his analysis Albertini uses a database built on these just mentioned assumptions. The data used by Albertini go from 1977 to 2000 and are taken from the historical archive of the survey on budgets of the Italian families, supplied by the Bank of Italy.

The starting picture is surely a structural panorama which has changed over time both in terms of household forms and in terms of inequality trends. In the fourth chapter Albertini describes the elements of this picture by showing how family structures have considerably changed in the main OECD countries. As the author explains, in the last 30 years the main family demographic and economic changes have been characterized by "*i*) decrease of the number of marriages and increase at the age of the first marriage; *ii*) an increase in cohabitation and, to some extent, the substitution of marriage; *iii*) increase of divorce rate, accelerated from 1960s to the mid 1980s (...); *iv*) fertility decreased quite remarkably from 1960 to the mid 1980s; *v*) women's participation in the paid labour market increased considerably" [p. 79]. In Italy these changes occurred more slowly and late, i.e. around the 1990s. Moreover, they were less strong than in other countries with the exception of fertility rate trends, which are now the lowest ones and are continuously decreasing. This makes Italy the first country where the elderly population is larger than the young population. As to household forms, elderly singles living alone and elderly people living as couples have increased, as well as households with two wage earning heads without children and households with at least another member who is an income receiver.

The household has economic connotations since it is the sum of the incomes received by its members and also in terms of income redistribution within the household itself. The household is therefore important in determining its members' level of wealth. At a macro level, changes in household forms may therefore be helpful in increasing or diminishing income inequality levels (equalizing or disequalising function). How to measure these trends?

In the second chapter Albertini presents an accurate and interesting description of the methods used in his analyses which is worth briefly summarizing. The methods used by Albertini were adopted in some previous analyses about this topic that are presented in the third chapter – an outstanding example is Jenkins [1995], who studied the United Kingdom. These methods are also generally quoted in statistical and econometric literature. In this field of studies different methods are used to measure income inequalities. Choosing one method or another depends on the importance given to income differences in various parts of the distribution. Albertini's research goals have led him to choose two indices which measure inequalities by taking into consideration both the top and the bottom of the income distribution. These indices partly satisfy the Transfer Sensitivity principle, which basically provides that in order to evaluate inequality trends it is more important is to consider changes happening at the bottom of the distribution. This is different from the Gini index whose values are mainly influenced by the middle parts of the distribution. However, Albertini uses the Gini index since it is one of the most common ones and can be easily interpreted, especially for macro level analyses. Moreover, the indices used by Albertini allow carrying out a within-groups and between-groups study since they meet the "additive decomposability and subgroup consistency" property. This property is a sort of application of ANOVA analysis of variance to inequality studies. Also in this case the Gini index does not satisfy the additive decomposability property. Basically, it cannot be definitely divided into between-groups and within-groups components. The additive decomposability property is significant since it allows observing what part of the total inequality is represented by income differences between households which have different characteristics, or by stronger or milder redistributive effects of the incomes within the households themselves. The indexes used are derivations of the measures of Generalized Entropy Family (GEF): Mean Logarithmic Deviation (MLD) and Half the Square Coefficient of Variation (CV2). The CV2 is sensitive to the top of the distribution and does not satisfy the Transfer Sensitivity principle. However, in literature there is not a strong consensus about this assumption. For this reason, the author has taken the CV2 index into consideration. It is therefore important that inequality measures are observed also in "transfer neutrality" situations [p. 33]. Values and utilization of these indices are presented in the chapters in which the author discusses about the analysis results.

In the fourth chapter Albertini uses the indices to give a macro picture of the changes in income inequalities in Europe and in Italy. For his comparative analysis Albertini used the Luxemburg Income Study Dataset, which can be predominantly used for cross-country analyses and not for longitudinal analyses. Additionally, he used previous studies on other datasets and the two most common indices used in macro studies – the Gini index and the ratio of income percentiles (P90/P10). For his analysis of Italy, Albertini considered the aforesaid data from the Bank of Italy which allow longitudinal analyses and he has compared MLD, Gini and CV2. The result is a comparative picture which shows a U-shaped model of the change in inequalities in many Western countries with higher values in the 1960s-1970s and in the most recent years. As regards as Italy, the inequality level is instead rather fluctuating with increases at the end of the 1970s, in the 1980s, and in the mid 1990s and with decreases at the beginning of years 1980 and 1990, while levels are stable from 1995 to 2000. Given the above mentioned changes in family structures and the trends in income inequalities, Albertini then wonders what kind of connection they may have, in light of the fact that according to some previous studies the change in family demographic characteristics has had a quite moderate impact on inequality levels.

As explained in the fifth chapter, a first step is observing the changes in the positions of individuals in the income distribution and their relation with the main household characteristics in Italy. Albertini analyses individual chances of being located at the top of the income distribution – the wealthiest quintile – or at the bottom – the poorest quintile – depending on the characteristics of the household where individuals live. The equidistribution value amounts to 20% and various percentages indicate a high or low risk of being located at the bottom or at the top of the distribution. Albertini also suggests a second type of analysis to observe these trends. He provides three synthetic position indicators in the income distribution for various household forms (subgroups). This analysis is therefore able to give a more general vision of the position of individuals in the income distribution in comparison with the subdivision into the highest and lowest quintiles. Albertini analyses the following indicators observed in three different years (1977, 1989, 2000): average decile (a relative measure of location – from 1 to 10 – of each subgroup in the income distribution); relative mean income (the average of the subgroup income in percentage proportion to the average of the population income); income (the average group's value of the natural logarithm of equivalent income. It is an absolute measure of the economic situation of each subgroup). The first two indicators are proportioned to the income distribution within the population, while the third one is a value in itself.

Both analyses show a general worsening of the economic situation in the youngest households and in those with only one income receiver. More specifically, in young couples with only one income and/or with a dependent minor or an adult who is not an income receiver. On the contrary, indicators show growing values in household with two incomes. Households which are made up of older and retired people have remarkably improved their economic situation. The economic situation of the households with a single or a coupled woman who is not an income receiver (not retired or unemployed) significantly worsened from the 70s to 2000. Albertini underlines that the results shown in the fifth chapter are referable to the different Italian welfare policies. These policies have created generous pension systems for those who have had a paid job. On the contrary, there has been no investment in more universalistic family supporting systems – including services supporting care activities within families – that can also increase the participation of women in the labour market, which is much lower in Italy than in the major

European countries. It is therefore important to understand if and how the household, as an institution belonging to the triad of welfare providers, has modified its redistributive function. In the sixth chapter the author presents some analyses about this topic.

Firstly, the author presents a general analysis of the change in the redistributive function of households, whatever their form is. In the available datasets there is quite little information on how resources are redistributed within households. For this reason it is necessary to start from an assumption – i.e. that "the total household income is equally distributed and that all members enjoy the same amount of income" [p. 24] and that cohabitation generates economies of scale in the household costs, such as electricity, heating expenses etc. Albertini calculates the trend in the Gini index from 1977 to 2000 for three different distributions: equivalent individual incomes (perfectly egalitarian intra-household redistribution of incomes and existence of economies of scale); per capita income (perfect intra-household redistribution but lack of economies of scale); individual income (lack of intra-household redistribution and of economies of scale). As regards the index values, the greater the difference between the first two distributions and the third one, then the larger the household redistributive power. In other words, a Gini index of the distribution of the individual income which is much higher than the one of the other two distributions indicates that there is much more inequality among individual incomes if the household does not equalize them. On the one hand, the results show a remarkable distance between the first two distributions – which have similar values and trends – and the third one. On the other hand, this distance has basically diminished. Thus, the household has lost its redistributive power over time. The author explains this trend by considering the increase in the number of income receivers within the household. For this reason there are fewer individuals who totally depend on the income redistribution within the household – i.e. as outlined above, fewer minors, increased participation of women in the labour market and implementation of the Italian pension system, including social pensions. It is therefore clear that household characteristics may be important in determining inequality levels. It is also equally important to understand the redistributive effect of the changes in household characteristics. The author carries out a decomposition analysis of inequality in order to understand the significance of these aspects. The decomposition has been done by means of subgroups of population which have been identified according to following criteria: number and sex of family heads, family age of reference, presence and age of other components, household size, ratio between number of income receivers and number of household members, occupational status of the male head, occupational status of the female head. In the inequality decomposition Albertini focuses his attention on the MLD as this index can be interpreted more easily than the CV2. The CV2 index is anyhow calculated in table 6.1. and figure 6.2. show its results. Table 6.1. shows the trends over three years – 1977, 1989, 2000 – in total inequality, in its within-group and between-group components, in the percentage value of the ratio between the between-group component and total inequality. This first decomposition analysis highlights that the within-group component is actually much higher than the between-group component in all the partitions considered and over the three years. Substantially, this means that the differences in the average income of people belonging to families which have different characteristics are a minority segment of the total inequality. However, the between-group component percentage of the total inequality has augmented in recent years in the households with more income receivers and one employed female head – these two aspects are usually connected and typical of the present changing trends in household forms. This shows that differences among the various household forms are becoming more and more important in determining the general level of inequality even though the household redistributive function is on the decrease. The second decomposition analysis – table 6.2. – is therefore aimed at showing how changes in household forms have affected inequality trends over the last years. Albertini therefore calculates the MLD percentage variation as determined by the change in the percentage variation of the aggregate inequality, in the within-group inequality, in the number of groups and in the average incomes of the groups. The author considers the same structure divided into subgroups as in his previous analysis but over a longer period of time. The resulting picture is quite complex but one element stands out, i.e. the change in household economic characteristics has had the biggest impact on inequality trends. The size of groups and the variations in the average income of each group represent a remarkable part of the inequality change from the late 1970s to year 2000. The biggest disequalising effects are the increasing number of single female head families, the impoverishment of young families (with an opposite equalising impact from ageing Italian population), the growing number of families with a male head who is not an income receiver (no male head or unemployed male head), the increasing number of individuals living with an unemployed female head (while the effect is moderate with an employed female head).

This book by Mario Albertini does not disappoint expectations. It actually provides a deeper analysis of the changes in income inequalities in comparison to other results offered by the literature of this field. The focus on the household forms in Italy is very original and highlights phenomena which are not highly considered in the study of the three welfare providers, such as the family redistributive role. The text structure properly combines theoretical explanations, conceptual definition and empirical analysis with a remarkable and useful description of the measures used. However the book lacks a methodological appendix which would have been useful for three reasons: 1) Description of datasets: the book poorly specifies the dataset variables. In particular, these specifications would have been necessary for the Italian dataset since the book is intended for an International public. Most of all, the book does not specify the number of sample families and individuals. It is true that the book offers the reader references to be used for further analyses. Nevertheless, clear indications of data and samples always represent an added value; 2) Description of abbreviations used in the text, especially in graphs and tables. The book is important from a scientific point of view. For this reason, it should give readers the chance to interpret the results even without consulting the text. In this regard, the abbreviations shown in tables and graphs are not always clarified even in the text [especially in chapter 5]; 3) Indexes used. In the second chapter the author explains his interest in considering inequality trends in the case of "transfer neutrality" of the CV2. In light of such a preamble, the reader would expect to find a discussion about the difference between the results obtained with the MLD and those obtained with the CV2. Some differences are mentioned very briefly in the fourth chapter at p. 74 and in the sixth chapter at p. 114. However, they are not sufficient to satisfy a reader who is curious after going through the second chapter. A reader interested in the measurement tools of this phenomenon wonders: why the CV2 should be used if it does not satisfy all the properties which are useful for research purposes? Moreover, if this characteristic is so interesting, why it is not deeply analysed in the results? Essentially, why using the CV2 if it does not provide many substantial and different indications in comparison with the MLD and is in fact more difficult to interpret and does not satisfy the Transfer Sensitivity property? Also these aspects could have been sorted out in a methodological appendix.

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